

Message Text

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SUBJ: ISCO AUGUST BUSINESS OPINION SURVEY

REF.: ROME A-523 DATED AUGUST 9, 1974

1. /SUMMARY./ ISCO AUGUST SURVEY OF BUSINESS OPINION REAFFIRMS GREATER PESSIMISM OF SECOND QUARTER ISCO RESPONDENTS (REFAIR) COMPARED WITH FIRST QUARTER SURVEYS. DECLINES IN TOTAL ORDERS REFLECT DOWNTOWN IN DOMESTIC ORDERS AND, TO LESSER EXTENT, IN FOREIGN ORDERS. RESPONDENTS CONTINUE TO EXPRESS PESSIMISM REGARDING SHORT-TERM BUSINESS FORECASTS OVER NEXT FEW MONTHS, ALTHOUGH EXPECTATIONS REGARDING PRICE PERFORMANCE ARE LESS GLOOMY--POSSIBLY AS RESULT OF GOI ANTI-INFLATIONARY FISCAL MEASURES RATIFIED IN AUGUST.

/END SUMMARY./

2. ISCO SURVEY OF BUSINESS OPINION FOR AUGUST SHOWED CONTINUED DECLINES IN TOTAL ORDERS WITH 43 PERCENT OF RESPONDENTS UNCLASSIFIED

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REPORTING LOW LEVELS OF ORDER PLACEMENTS COMPARED WITH 33

PERCENT IN JULY. THOSE ISCO RESPONDENTS WHO REPORTED LOW LEVELS OF NEW DOMESTIC ORDERS ROSE FROM 34 PERCENT IN JULY TO 44 PERCENT IN AUGUST, MOSTLY AS RESULT OF DECLINING DOMESTIC ORDERS FOR INTERMEDIATE GOODS. RESPONDENTS REPORTING LOW LEVELS OF FOREIGN ORDERS ROSE FROM 35 PERCENT TO 41 PERCENT BETWEEN JULY AND AUGUST, FOR MOST PART REFLECTING WEAKENING FOREIGN DEMAND FOR INVESTMENT GOODS AND FOR CONSUMER GOODS. INVENTORY LEVELS IN AUGUST CHANGED LITTLE FROM JULY LEVELS.

3. SHORT-TERM BUSINESS FORECASTS CONTINUED TO REFLECT GREATER PESSIMISM ALREADY REPORTED IN JULY SURVEY, AS PERCENTAGE OF ISCO RESPONDENTS ANTICIPATING DECLINING PRODUCTION ROSE FROM 28 PERCENT IN JULY TO 31 PERCENT IN AUGUST. AT SAME TIME, PERCENTAGE OF RESPONDENTS ANTICIPATING STABLE PRICES OVER NEXT FEW MONTHS ROSE FROM 38 PERCENT IN JULY TO 46 PERCENT IN AUGUST. ISCO AUGUST RESPONDENTS CONTINUED TO REFLECT PESSIMISM REGARDING GENERAL TREND OF ECONOMY OVER SUCCEEDING 3-4 MONTHS WITH 60 PERCENT ANTICIPATING UNFAVORABLE OUTLOOK IN AUGUST COMPARED WITH 59 PERCENT IN JULY.

4. /COMMENT./ ISCO AUGUST BUSINESS OPINION SURVEY REAFFIRMED MORE PESSIMISTIC CLIMATE OF BUSINESS OPINION WHICH PREVAILED THROUGHOUT SECOND QUARTER OF YEAR FOLLOWING MODEST IMPROVEMENT IN BUSINESS OPINION AND ECONOMIC OUTLOOK REGISTERED DURING FIRST QUARTER OF YEAR. SECOND QUARTER PESSIMISM COINCIDES WITH ADOPTION OF RESTRICTIVE CREDIT MEASURES BY GOI IN MARCH AND APRIL AND OF PRIOR IMPORT DEPOSIT SYSTEM IN MAY. ISCO AUGUST SURVEY COINCIDES WITH ADOPTION OF "FISCAL PACKAGE" AIMED AT REDUCING BUDGET DEFICIT AND FIGHTING INFLATION. LATTER MEASURES MAY EXPLAIN MODEST IMPROVEMENT IN EXPECTATIONS OF ISCO AUGUST RESPONDENTS REGARDING PRICE PERFORMANCE OVER NEXT FEW MONTHS. BEAUDRY

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